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WESTJET AIRLINES: INFORMATION TECHNOLOGY GOVERNANCE AND CORPORATE STRATEGY

By any reasonable measure, WestJet Airlines had been a remarkable success. The company began modestly in 1996 as a regional carrier flying three used Boeing 737-200 aircraft to five western Canadian cities. By 2011, the airline boasted a fleet of more than 90 Boeing Next-Generation 737 aircraft serving 85 destinations in 18 countries and employed over nine thousand people. The company had become the second-largest carrier in Canada and ninth-largest in North America. It described itself as a "high-value, low-fare airline" with a corporate culture focused on delivering a "world-class guest experience." Information technology (IT) had played an important role in WestJet's success over the years. The IT organization, structure and staff had grown up around the business. IT remained relatively small, at least compared to IT divisions at other companies of WestJet's size, but was highly competent from a technical perspective. The systems were proprietary, i.e., built and maintained within WestJet, but were quite advanced for their time — WestJet was one of the first airlines that had electronic ticketing, for example. IT and its systems gave WestJet a competitive advantage and played an integral part in WestJet's growth.

But as the saying goes, "what got you here doesn't always get you there." As WestJet grew, an important component of the strategic plan was to be able to codeshare — an aviation business arrangement where two or more airlines share the same flight. This allows each airline access to more cities worldwide for its passengers, and makes connections simpler by allowing single bookings across multiple airline networks. The WestJet systems, while sophisticated, were standalone and not able to be integrated into any of the major international reservation systems. This required an IT move into the core of one of the international reservation systems, and WestJet selected Sabre. Unfortunately, the cutover to Sabre did not go as smoothly as planned, which raised questions within the business about IT.

The IT organization also had to work differently with the business. Other airlines were becoming more sophisticated with the integration of IT and guest experience, and WestJet was not keeping pace. While WestJet had an executive responsible for IT within its portfolio, WestJet had never had a chief information officer (CIO) or an IT officer at the executive level. A decision was made by the CEO and his executive team to hire an experienced CIO on a contract basis for two years to determine what WestJet could do to bring its IT systems up to par with other airlines, and to find out if having a permanent CIO at the executive level was worthwhile.

Cheryl Smith was contacted in early 2011. Following meetings with the WestJet CEO and the other senior executives, Smith was appointed as executive vice-president and CIO in April 2011. Smith saw WestJet as "exactly what I was looking for — a company that wanted to use IT to help it get to the next level." WestJet's corporate strategy was heavily dependent on the ability of IT to deliver innovative guest products and services, as well as solid operational support; IT was core to WestJet achieving its ambitions and future corporate growth.

Smith immediately saw significant opportunities in the IT governance model at WestJet. Her first course of action was to restructure the IT organization, align IT with corporate goals, overhaul IT planning and budgeting and, in general, make IT more responsive to business needs. Overall, she proposed a major transformation of IT along with aggressive solutions to pressing operational issues. But many of the IT staff, some of whom had been with WestJet from the beginning, had reservations about Smith's ideas. Smith realized that selling a new vision for IT governance to both her executive team peers and IT staff could be a major challenge. She would need a lot more than clever charts, graphs and diagrams. But Smith knew that change in the governance model was a mandatory first step if IT was to become a strong partner to the business and help it move to the next level, and she would need to move quickly.

THE WESTJET STORY

The headquarters and main hub for WestJet Airlines Ltd. was located at the Calgary International Airport in Calgary, Canada. WestJet had been founded in 1996 by pilot/entrepreneur Clive Beddoe and three business partners, who fashioned their business model as a low-cost carrier after one pioneered by Southwest Airlines in the United States. Initial markets served included Calgary, Edmonton, Vancouver, Kelowna and Winnipeg — all western Canadian cities, which gave the carrier its name. Flights to three other cities in western Canada were added before the end of the year. By 1999, WestJet had expanded its network to serve twelve western Canadian destinations.

Major growth beyond western Canada came quickly. In the years 2000 through 2004, WestJet added over a dozen destinations in western and eastern Canada, including the major centres of Toronto, Montréal and Halifax, thereby enabling the company to exploit the lucrative Toronto-Montréal-Ottawa triangle. The WestJet network now spanned Canada coast to coast and the airline had begun replacing its fleet with new Boeing Next-Generation 737 aircraft.

In the years 2004-2005, dramatic expansion occurred with WestJet adding flights to a number of major U.S. destinations, including San Francisco, Los Angeles, San Diego, Phoenix, New York City, Las Vegas and Honolulu. A major milestone occurred in 2006 when WestJet began scheduled service to Nassau, Bahamas — a key moment in the company's long-term destination strategy. In 2009, WestJet adopted Sabre, the international airline reservation system, enabling it to establish codeshare and interline agreements with over 30 other airlines to draw new global traffic into its network — a move that generated tens of millions of dollars in additional revenue from the codeshare partners within a couple of years. Included in the agreements were such prominent carriers as American Airlines, Delta, United, British Airways, Air France, KLM, Qantas, Air New Zealand and Air China. By 2011, having added another 18 international destinations, WestJet was serving 81 destinations in North America, the Caribbean and Mexico.

Growth in another form occurred in 2003 when WestJet partnered with Air Transat, which specialized in providing charter flights from Canadian cities to Europe in the summer and southern destinations in the winter. Under their agreement, WestJet crews and aircraft flew Air Transat passengers mainly to Mexican

and Caribbean destinations. Building on this experience, WestJet launched WestJet Vacations in 2006, which offered affordable and flexible flight and vacation packages.

Paralleling its growth in operations, WestJet became known as adept at growing a strong corporate culture. Through the years 2003 to 2011, WestJet garnered numerous awards, including being named as Canada's second-most respected corporation (2003) and as having Canada's most admired corporate culture (five straight years commencing in 2005), inclusion in Canada's Most Admired Corporate Cultures Hall of Fame (2010), having the Best Flight Attendants (2011), and being one of only two Canadian companies to receive the J.D. Powers and Associates 2011 Customer Service Champion award. WestJet expressed its strong corporate culture and dedication to customer service with the employee slogan "Because Owners Care," which referred to the fact that about 86 per cent of eligible employees participated in the employee share purchase plan.

A capstone event was the opening in 2009 of WestJet's new six-story head office building next to its existing hangar embedded deep among the runways of Calgary's rapidly expanding international airport (see Exhibit 1). The new building symbolized the company's muscle, which had enabled it to shoulder its way into the Canadian market, increasing WestJet's domestic market share from seven per cent in 2000 to 38 per cent by 2009. This compared favourably with its major competitor, Air Canada, whose market share dropped from 77 per cent to 55 per cent in the same timeframe. WestJet's 2011 Annual Report stated, "2011 marks the fifteenth time we have reported an annual profit in our 16-year history and we expect this profitable trend to continue" (see Exhibit 2 for financial highlights).

In summary, the WestJet wizards had performed the air industry's equivalent of transforming a mom-and-pop corner store into a thriving international retailer in a decade and a half.

THE NEW CHIEF INFORMATION OFFICER

"When you have already achieved your career goals but have outstanding business experience and many more years to contribute, what do you do?" This was the question facing Cheryl Smith in 2010. Smith had begun her career by earning a Master in Public Administration degree at Pennsylvania State University in 1973 with a thesis on computing in public organizations. She pursued this interest with her first job at the newly established House Information Systems (HIS) of the U.S. House of Representatives as a programmer analyst and, eventually, manager. After seven years with HIS and with two children to raise, Smith established her own consulting firm, Analinc Corp, working with a number of commercial, non-profit and government clients. Her consultancy at this time focused on detailed database design, system acceptance test plans and site/facilities planning.

In 1985, Smith began a five-year appointment as a Principal at Ernst & Young, the giant accounting and professional services firm. Her responsibilities included large information systems planning, analysis, design, development and implementation for a wide range of major organizations.

In 1990, Smith began her steady climb up the career/corporate ladder as she left Ernst & Young for the position of management information systems director for Honeywell Federal Systems Inc. This was followed in 1994 with her appointment as a business unit CIO with Bell Atlantic Corp. (now Verizon), and in 1998 as senior vice-president and CIO of KeySpan Energy (now National Grid), a newly formed New York-based energy company, which merged with several other energy companies during her tenure to become one of the largest energy companies in the eastern United States.

Smith then achieved her long-term career goal of becoming a CIO of a Fortune 50 company when she was appointed executive vice-president and CIO of McKesson Corp in September 2002. McKesson was one of the world's leading pharmaceutical and healthcare technology service companies. Smith was responsible for McKesson's IT worldwide, including its company-wide technology strategy and direction, as well as day-to-day operations. She managed an annual budget of $400 million and led 1,500 IT employees.

By 2006, Smith was ready for a new challenge and a different career experience, this time as a CEO. She found this challenge as CEO of *utility.net*, a privately held company established to leverage a set of next-generation broadband over power lines (BPL) patents into large electricity companies. Deploying BPL technology on energy company grids would enable *utility.net* to offer high-speed Internet access, voice over Internet Protocol and other broadband services inexpensively to homes and businesses in rural areas. Unfortunately, the company was unsuccessful in obtaining a large ($50 million) third round of financing during a time of considerable contraction in the venture capital and credit markets, which forced a graceful shutdown of the company in 2009.

In 2010, Smith reflected on her career as a senior IT executive with experience as a CEO and CIO in industry sectors as diverse as energy, healthcare, telecommunications, manufacturing and federal agency services. She realized she had derived her greatest satisfaction from bringing significant tangible value to organizations through the innovative deployment of IT. For Smith, the most exciting opportunities lay with companies wanting to use IT as a game-changer — companies for whom IT was integral to their corporate strategy and future growth. She saw herself as a "change agent" and felt confident in her ability to effect critical business transformations using IT.

These factors ultimately led her to conclude that her niche in the IT marketplace now was as a "contract CIO," someone who could parachute into an organization and bring immediate value, but for whom a limited-term contract was acceptable. Such an arrangement had the advantage of freeing prospective employers from the potential risk of a permanent arrangement with a new employee.

In collaboration with a few colleagues, Smith listed her availability in late 2010 on her own website (www.smithandassociates.us.com), indicating her interest in working for a company in the $3 billion-$5 billion revenue range that was serious about "having IT be a key player in helping to take the company to the next level." She was contacted by WestJet early in 2011 and accepted the invitation to meet the CEO, Gregg Saretsky, in Toronto. This was soon followed by a group meeting with her future senior management peers and individual conversations with several people in IT. WestJet and Smith seemed to be a perfect match. Everything went smoothly and she accepted a two-year appointment that commenced on April 25, 2011, as executive vice-president and CIO.

THE WESTJET IT SITUATION

Two years before Smith arrived, WestJet decided to move to the Sabre reservation system — the computer-based reservation system widely used by airlines and travel agencies throughout the world. The cutover to Sabre in October 2009 was a difficult transition into the world of shared airline systems. It made WestJet's leadership sensitive to the company's dependence on technology and its IT organization for operational support and strategic growth.

Having the IT staff and their business counterparts work hand-in-hand for the first 15 exciting growth years meant that those on both sides who were now WestJet executives were unable to describe or specify

the level of competence of the IT staff or its organizational structure. "Come in and help us figure out what we have" best described Smith's initial assignment. It had to be determined whether WestJet had the right technologies, the appropriate expertise, efficient processes and procedures, an effective operating structure and solid systems. As CEO Saretsky observed, "I'm not sure if we have a great IT… or otherwise." For Smith, it meant she was coming to WestJet with no clear-cut idea either.

Before Smith arrived, she was informed that an IBM study had just recommended a solution to WestJet's IT concerns: establish a significant PMO (project management office), a venture that would require substantial funding. Smith believed that overlaying a PMO on what might simply turn out to be an IT operation in need of reorganization was not a prudent step, and asked that action on the recommendation be put on hold until her arrival.

In her first month, Smith focused on benchmarking IT by bringing in two IT benchmarking and performance experts to perform a comparative study with similar-sized companies in the transportation industry. The objective was to determine the proper level of resources and budget, and to compare WestJet's IT costs and numbers of people by skill type to the industry standards.

The results of the benchmark were that WestJet's IT was right on target in terms of total number of employees and budget compared to the industry group. Another key finding was that among the 240-person IT group there was a significant number of excellent technical people, as well as what were described as "highly sophisticated generalists." They were technically competent in a wide range of IT areas, but many had been at WestJet since early in their careers and primarily knew "the WestJet IT way." There was also a mismatch in terms of numbers of employees within skill sets as compared to the industry benchmark numbers.

As far as systems, operations and procedures were concerned, only about half were industry-standard. WestJet IT had essentially "invented" its operations around what the company's needs were over time. A number of the "Day 1" WestJetters had pride of accomplishment from having created these structures from scratch, and understandably held a somewhat protective mindset over the way things were. But the question was, "Could what had gotten WestJet to where it was, get it to where it needed to go?"

Smith recognized that the IT organization at WestJet was structured according to an IT group's conventional internal functions of planning, building, operating, maintaining and governing, i.e., in the manner that IT operated and felt most comfortable. All developers worked as a group, as did all of the maintenance staff. All project managers and business analysts were together in a single group, as were each of those working on business intelligence, IT governance, help desk, end-user computing and IT technical infrastructure. The rationale offered for this arrangement was that everyone in each group could be "all-purpose," thereby enabling the team to respond quickly to any single emergency request from the business side without regard to who might be absent. This also meant that any person could be working on a different project or system on any given day, with the variety of activities thereby making the work more interesting.

From the perspective of an IT expert from the outside, however, this structure presented several challenges. It provided no direct connection to the business units being served, little visibility of IT project status to the business units, and no specific resources assigned to any business unit. This implied constant competition among business executives for IT resources, and minimal direct IT accountability to any business unit for delivery. As Smith described it, "The business felt as though it threw requests for systems over a wall, and sometimes what they wanted came back and sometimes it didn't." To business unit managers, IT was a mystery at best and a black hole at worst.

The IT planning/budget process, in turn, was also a challenging experience for both the business and IT. The business unit vice-presidents (VPs), of whom there were then 16, met monthly with the VP of IT to negotiate for resources and priorities. Business VPs were frustrated because everything took so much longer than promised or expected. IT's exasperation was that "the business couldn't prioritize" or that priorities shifted constantly, projects were never stopped or limited even when IT recommended it, projects were continually added, and that while IT gave its best effort with the funding available, there was never enough time or dedicated resources to do things right. Smith quickly recognized the limitations of this type of IT planning and budgeting.

Smith cancelled the monthly IT planning/budget meeting her first month there, and replaced it with a process that gave each of the business unit VPs the opportunity to present major capital projects annually to the WestJet executive team to vote on. If a project made it into the IT budget for the year, then IT would be committed to work on and complete the project. If it was not in the IT budget, then absolutely no resources would be spent on the effort. The purpose was to prioritize and reduce the number of projects so that the most important, as per the company-wide strategy, would be successfully completed and deployed.

In addition to issues related to IT organizational structure, IT planning and IT budgeting, two other significant concerns soon arose. First was the high-risk placement of the WestJet data centre adjacent to a runway, at its WestJet headquarters. The data centre was well constructed, but a catastrophe of any sort would be disastrous as the centre ran all of the company's systems, including all key applications, without which WestJet's airline operations would immediately cease. WestJet clearly needed a backup data centre somewhere outside a 150-mile radius of Calgary to ensure the redundancy of power grids, water, telecommunication lines, etc.

The second concern was that while WestJet operated 24 hours a day, seven days a week, the IT staff worked during the day and were available only on an overtime/on-call basis after regular business hours. In addition to being expensive, "We were burning our people out by requiring them to constantly be on call at night," said Smith. It was logical that an airline that operated 24/7 needed to have around-the-clock, on-site IT support.

There were a number of nuts-and-bolts IT issues requiring attention, such as standardizing the processes for dealing with system outages, root-cause analysis, opening and reporting on service tickets, project coordination and tracking, change/release control and management, and response-time monitoring. But these would have to wait.

Smith also had in-depth discussions with senior business leaders. The emerging vision was that strategic growth could be realized immediately by focusing on guest services and satisfaction. The company's "game-changer" was to sharply differentiate WestJet from other airlines by making seamless the entire guest experience from first contact with WestJet through returning home. At the outset, this necessitated new and more flexible WestJet.com and WestJet.com/Vacations websites, enabling travelers to find destinations, plan and book trips, and create vacations much more easily. Business leaders also demanded new kiosk/web/mobile capabilities for guest self-service and check-in at all airports and countries around the world where WestJet flew. The company required newer, more flexible call centre systems, enhancing the guest experience and enabling agent work-from-home capabilities. Another initiative was to evolve WestJet's innovative cash-based (not point-based, as was the industry standard) frequent guest program. A cash-based system was regarded as extremely guest-friendly, as it had no blackout dates and could be used for any of WestJet's flights, products or services. These and many other business ideas were being actively considered.

As Smith and the senior IT leadership team pondered the "big picture" in these opening weeks, they concluded that if WestJet hoped to sustain its rate of growth and build on its remarkable success, IT would be a critical success factor. Smith knew they were faced with a challenge far greater than the simple application of "common-sense IT." Something on the order of a complete transformation was essential for IT to deliver the products and services demanded by the business. IT's entire approach would need to be changed. In short, an IT transformation plan was needed.

THE PLAN FOR TRANSFORMING IT

Smith and the IT leadership team understood that the immediate core of their IT application strategy had to be to increase revenue by increasing system functionality, and give the business units the confidence in IT to expand WestJet even further, both regionally and internationally. The team realized that this meant, fundamentally, that IT would have to be re-aligned from top to bottom to be more responsive to business needs and enable business units to better exploit IT capabilities. IT had to become more transparent in its operations and more responsive to WestJet's individual business units. All this would imply sweeping changes to the IT governance model and business processes, including planning, budgeting and day-to-day operations. But it also implied a change in IT culture to one in which a collaborative mindset prevailed — a client-centric way of operating that seemed in sharp contrast to the existing image of IT as an organizationally isolated group. It also implied a change in how the business viewed IT — as a partner, not an order-taker that reacted heroically in instances of IT emergencies. All in all, it was a daunting prospect.

The first element in the governance overhaul focused on establishing much stronger linkages with the business units (Airline Operations, Marketing and Sales, Finance, People, and — most recently — WestJet Encore). The IT structure in place provided no direct connection to the business side and served more as a barrier than a bridge. Drawing on a concept proposed and propagated by the CIO at General Motors in the late 1990s, Smith envisioned making the IT organizational structure "business-facing" by breaking up several of the existing IT functional groups and reassigning their people to concentrate on specific business units to whose particular applications and needs they would then be dedicated. Half of the 240 IT staff were reassigned within IT to concentrate on specific business areas. This included developers and application support people, the enterprise resource planning systems groups, project managers and business analysts, and the business intelligence group. The other half that remained together included those dealing with IT infrastructure and operations, telecommunications, security, IT governance administration, quality assurance and testing, help desk and end-user support. These were not assigned specifically to any business units. These latter groups were charged with the responsibility of maintaining an organization-wide common infrastructure, and adherence to industry best practices. As Smith explained it, "A common operations team with common skills to support a common infrastructure is highly cost-effective." This allowed the business-facing IT groups to be totally responsive to business needs and priorities, but ensured that all applications and systems came into and were supported by a common infrastructure. All business units and their applications would be required to keep in sync with and operate on the common infrastructure, which would keep hardware, software, telecommunications and multiple skills set costs down and expertise levels high.

At the IT leadership level, five new BU-CIO (business unit CIO) positions would be created and each BU-CIO would be assigned to support an EVP (executive vice-president) in charge of a business unit (see Exhibit 3). Each BU-CIO would be dedicated to making their business unit successful. BU-CIOs and their dedicated teams would ensure that each business unit received the application priority required; infrastructure and operations teams would ensure that all units operated in a coordinated manner. By this

means, IT would be organized exactly as the business was organized. The whole idea was to enable EVPs and business unit VPs to be in much greater control of their specific IT resources and priorities. Unlike the proposed project management office that would create a new layer of IT staff to interface between the business and IT and would require many new employees, this IT business-facing structure entailed no additional resources. The BU-CIOs were selected from among the current IT leadership team and assigned according to their backgrounds. For example, the senior IT leader who also had a pilot's license was assigned to the Airline Operations EVP, the senior IT leader who had an MBA was assigned to Finance, etc.

Smith and the new IT senior leadership team next turned their attention to the IT planning and budget process. Under the new governance model, about 120 of IT's total staff complement of 240 would be application-based (business-facing). This meant that many — most — of the projects that the businesses wanted would be delivered by their dedicated IT teams within the IT operating budget. Systems left to address were either major projects within a BU that required more resources than assigned to it, or projects that spanned the entire corporation. To address these larger efforts, IT proposed an annual budget process for deciding on major capital and operating projects. Business cases would be developed for each of the organization-wide efforts that the individual BUs wanted to accomplish and presented to WestJet's Executive Management Team (the EVPs) for prioritizing. High-priority projects would be funded; the rest would not. This would set IT priorities for the next 12 months. The monthly VP meeting would be abandoned. IT also committed to delivering detailed project status reports to each BU on a weekly basis, and to the WestJet leadership team on a monthly basis. Work not approved in the annual operating or capital budget processes would not be performed. A single IT person would be responsible for coordinating and reporting weekly on the project status of all capital projects across the company.

A third major component of the new IT proposal dealt with the vulnerability of the existing data centre located at the end of the runway. Smith and the leadership team responsible for IT operations proposed establishing a redundant data centre in Toronto (an area with a different weather pattern, time zone and power grid) Among weather-related considerations was the very practical fact that WestJet staff in Calgary could be prevented from reaching headquarters if road access to WestJet offices was impeded by a severe winter storm — a not unlikely event given WestJet's location. WestJet needed a redundant data centre with full access to Sabre in Oklahoma and the ability to maintain all flight activity, i.e., high recoverability, if disaster struck (see Exhibits 4 and 5).

The final major element of the new IT governance plan was to ensure that an IT operations centre unit was formed that would have on-site coverage 24 hours a day, seven days a week, in concert with WestJet Airlines operations. IT could thus be immediately available and responsive to system outages and sudden emergencies, a fact that would provide reassurance and greater confidence to the airline operating staff dealing with stressful situations. It would also allow a much better work-life situation for the rest of the IT teams.

TRANSFORMATION TRAUMA

Smith thought carefully about the magnitude of the changes that were being introduced and how different groups would be affected. She was reasonably confident that she had credibility with her peers, i.e., the CEO and the other EVPs. She had spent considerable time with them since her arrival, explaining what was happening and building their commitment. Keeping her peers informed would, hopefully, help to proactively deal with the organizational "noise" that might be produced from the plan to restructure IT operations. But for them to approve the proposal would require a leap of faith. She knew she would have

to convincingly communicate the strategic role of IT at WestJet and show how the change plans would enable the IT organization to fulfill that role.

Within IT, Smith knew she was proposing major disruptions that would significantly affect and upset long-established practices and personal relationships. She was concerned that it would be difficult to convince the IT staff to accept the reassignment of half of the IT talent to the work of individual BUs, with the other half focused on infrastructure support and development. Just as Smith had made an effort to build credibility within the executive group, she had made an equal effort within IT. This was best exemplified by her decision to establish her office within the IT group rather than on the executive floor with the other EVPs.

However, preliminary reactions to the scheme from a few senior IT staffers revealed deep skepticism, with blunt comments such as "this isn't going to work." A major concern was that by distributing half their IT staff to concentrate on individual business units, they would lose the advantages of synergy and backup expertise that came from having all staff in the same group. Some long-term staff members — those apparently harboring pride of accomplishment from having built the existing systems — seemed resistant to the scope of the proposed transformation. As one individual commented to Smith in reference to both the organizational and system changes, "I can't get my mind around what you are trying to do. Please consider keeping everything the way that it is." Another long-time IT employee remarked, "What you are attempting to do won't work. Not here at WestJet." Simply put, some senior IT employees (and others who were not as vocal) did not agree with the change. This signaled that several employees of long standing might resign, which would further complicate Smith's challenge. IT staff turnover had historically been among the lowest at WestJet, and having long-time, well-respected employees leave the company would be upsetting for many within the group, even for those who agreed with the changes. These and other similar possibilities were natural anxieties for the IT group, but collectively they represented nervousness and insecurities, which Smith would have to deal with in making her case.

MAKING THE CASE

Overall, Smith's central argument was that IT's service structure and reactive "hero" culture were constraining IT's ability to move to the next level. Fundamental changes in the way IT operated, including the IT governance model, were necessary to enable WestJet to move ahead of the competition. In the plan, BU leadership would be able to control their own IT resources through their BU-CIO and know exactly who their IT counterparts were, what IT was committed to, what dates were committed to and the budget. IT would be committed to clarity and total transparency with regard to its priorities. Smith would further point out that the organizational and process-change initiatives — combined with new, state-of-the-art, in-house-supported "guest service" applications to be put into production within the next 18 months — would be true game-changers. She would argue that this approach was the best way to move IT to the next level so that it could better help the business move to the next level.

Smith needed to make the story compelling enough to convince both the business side and the IT group to fully buy into the new governance plan. The changes would need to be solidly in place when her contract ended or the organization could revert back to how it had operated in the past — or worse, it could end up confused and somewhere in between. The strategic importance of the proposed changes needed to be effectively illustrated to both groups. She would also need to be able to respond to questions about the factors critical to the success of these changes, and whether or not what was proposed would really work. On the business side, "making it work" meant managers would need to develop the skill to proactively identify problems and opportunities and work with IT to effectively exploit the ever-increasing

capabilities of the new technologies that IT would deploy. On the IT side, making it work meant that Smith needed to somehow respond positively to the fact that IT people were attracted to their profession in the first place because of their desire to excel as technical specialists. She needed something to replace the possible lost sense of identity and the diminished opportunity to regularly commune with people of similar technical interests that now appeared to be features of the new IT operating environment. These and other issues simmered beneath the surface.

For Smith, WestJet and WestJet IT, it was time to take the first step in moving to that "next level." But communicating the central argument of the strategy to a nervous management group and a skeptical IT department in the most effective way was the critical challenge. With the ink barely dry on her contract, and the executive management team expecting her to act quickly, Smith made her move.

Emeritus Professor Malcolm C. Munro and Professor Sharaz Khan are from the Haskayne School of Business, University of Calgary.

## EXHIBIT 1: WESTJET HEADQUARTERS

Source: Company files.

EXHIBIT 2: WESTJET 2011 FINANCIAL HIGHLIGHTS

($ in thousands, except per share data)	2011	2010	2009	2008	2007
Consolidated financial information*					
Revenue	$ 3,071,540	$ 2,607,294	$ 2,281,120	$ 2,549,506	$ 2,127,156
Earnings before income taxes	$ 208,006	$ 133,465	$ 136,796	$ 254,749	$ 233,313
Net earnings	$ 148,702	$ 90,197	$ 98,178	$ 178,506	$ 189,048
Cash and cash equivalents	$ 1,243,605	$ 1,159,316	$ 994,989	$ 820,214	$ 653,558
Earnings per share					
Basic	$ 1.06	$ 0.62	$ 0.74	$ 1.39	$ 1.46
Diluted	$ 1.06	$ 0.62	$ 0.74	$ 1.37	$ 1.44
Operational highlights*					
Available seat miles (ASM)	21,186,304,409	19,535,291,313	17,587,640,902	17,138,883,465	14,544,737,340
Revenue passenger miles (RPM)	16,890,941,121	15,613,121,610	13,834,761,211	13,730,960,234	11,739,063,003
Load factor	79.7%	79.9%	78.7%	80.1%	80.7%
Yield (cents)	18.18	16.70	16.49	18.57	18.12
Revenue per ASM (cents)	14.50	13.35	12.97	14.88	14.62
Cost per ASM (cents)	13.29	12.37	11.77	13.17	12.58
Cost per ASM, excluding fuel and employee profit share (cents)	8.85	8.80	8.45	8.29	8.79

*The 2011 & 2010 results are presented in accordance with the International Financial Reporting Standards (IFRS) and the 2009 results and prior are reported under Canadian Generally Accepted Accounting Principles GAAP.
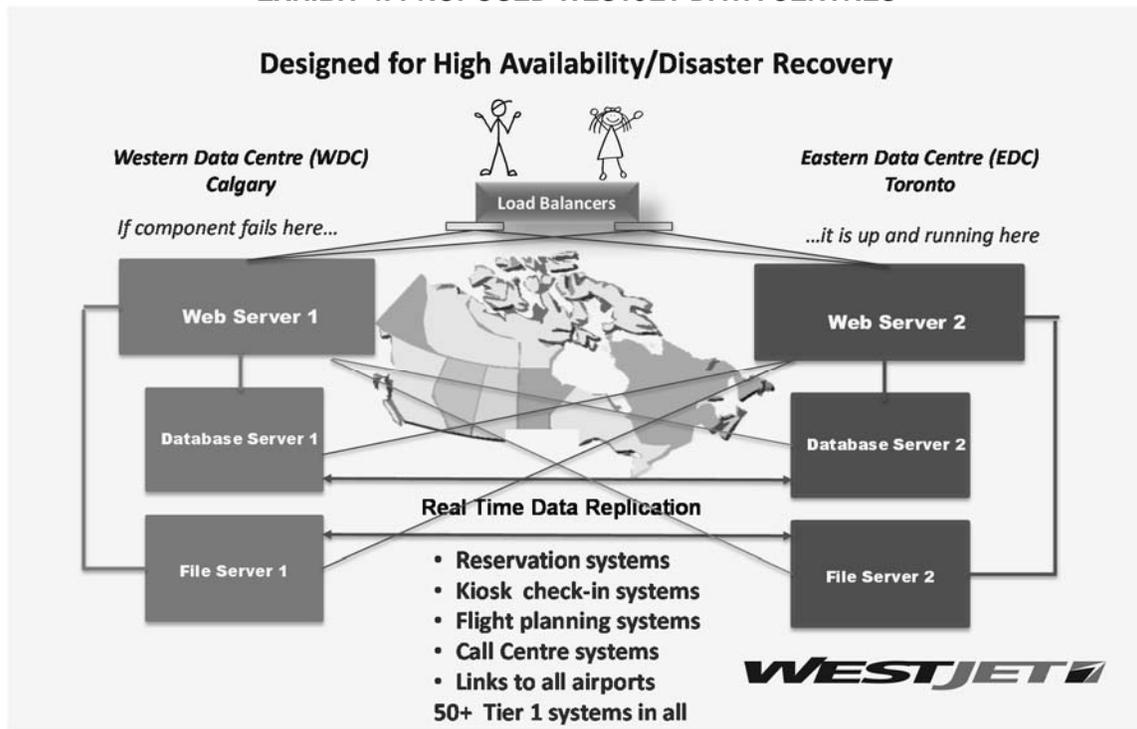
Source: Westjet 2011 annual report.

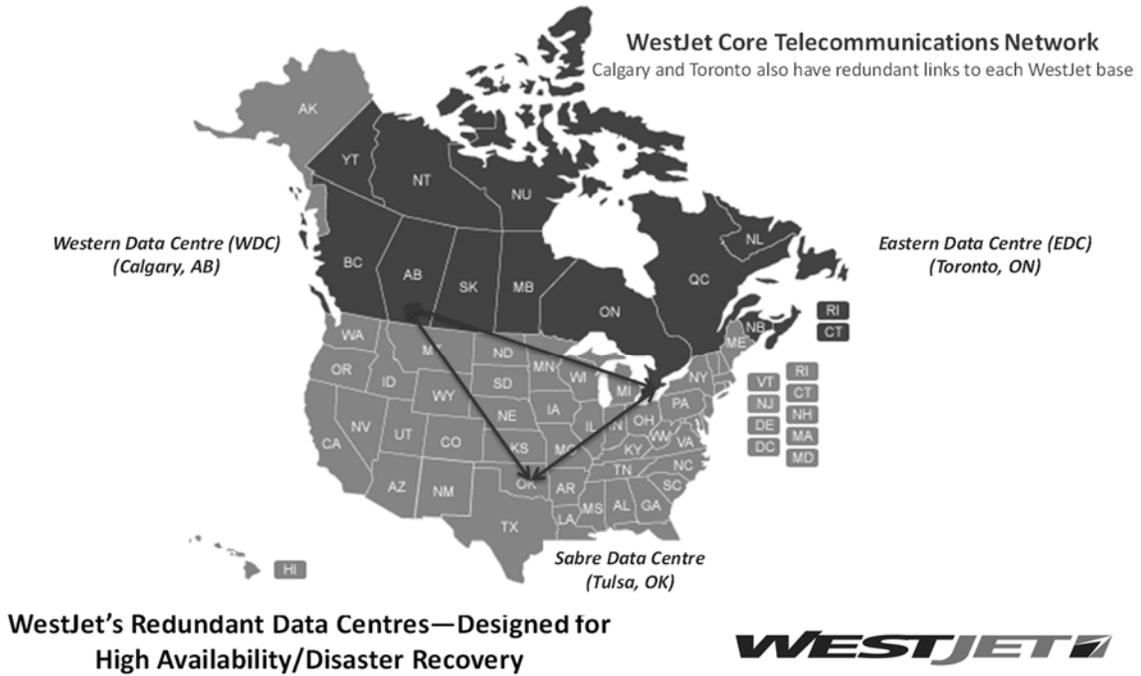**EXHIBIT 3: PROPOSED WESTJET IT ORGANIZATIONAL STRUCTURE**
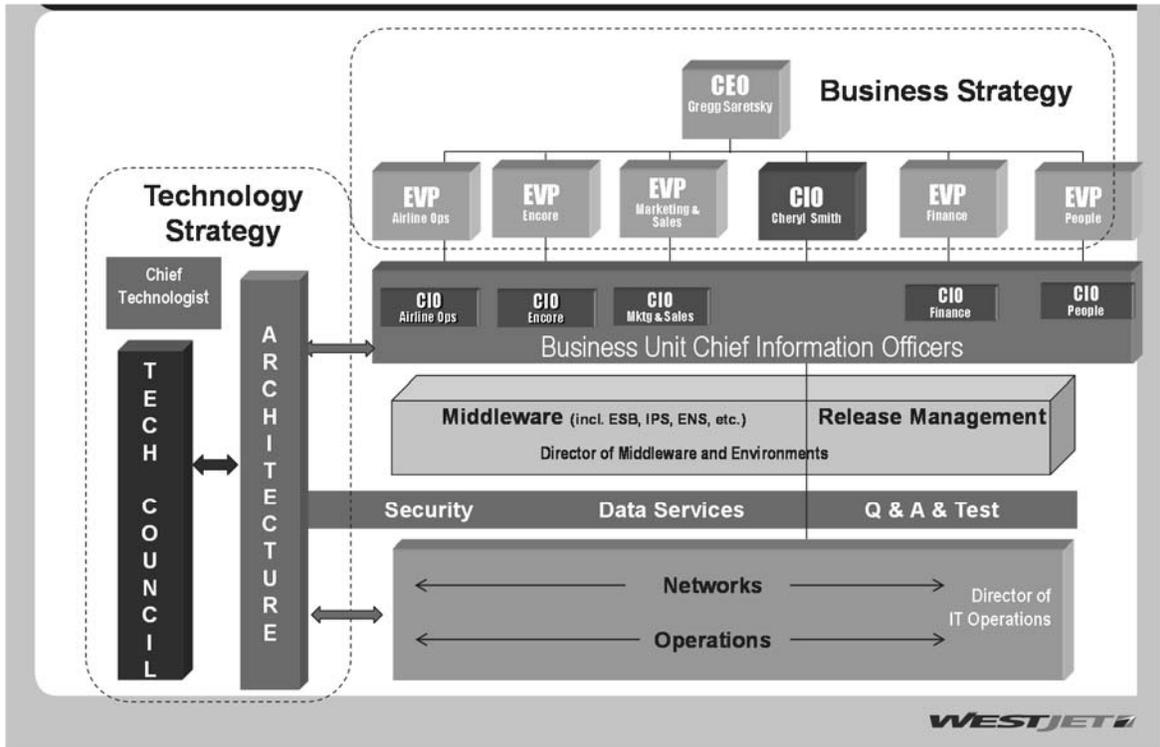
Source: Company files.

EXHIBIT 4: PROPOSED WESTJET DATA CENTRES

Source: Company files.

**EXHIBIT 5: PROPOSED EASTERN DATA CENTRE AND WESTJET CORE TELECOMMUNICATIONS
NETWORK (CONNECTION WITH SABRE IN OKLAHOMA)**

Source: Company files.